

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03
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FM AMEMBASSY SINGAPORE
TO SECSTATE WASHDC PRIORITY 8360

C O N F I D E N T I A L SINGAPORE 3606

E.O. 11652: GDS
TAGS: PDEV, EAID, EFIN, SN, US
SUBJ: WORLD BANK/IMF ANNUAL MEETINGS

REF: A) SINGAPORE 3495, B) STATE 184669

1. BEGIN UNCLASSIFIED: FOLLOWING ARTICLE APPEARED IN
AUGUST 19 AFTERNOON DAILY "NEW NATION":
QUOTE: SINGAPORE IS MAKING REPRESENTATIONS
AGAINST WHAT IT REGARDS AS "FORCIBLE APPROPRIATION" OF ITS
GOLD DEPOSIT PROFITS IN THE IMF. THE IMF HAS DECIDED TO
CHANNEL SUCH PROFITS TO HELP DEVELOPING COUNTRIES. THE SINGA-
PORE GOVERNMENT AND A FEW OTHERS ARE OBJECTING ON A MATTER
OF PRINCIPLE. SINGAPORE FEELS THAT IMF MEMBERS HAVE A
RIGHT TO DECIDE WHAT TO DO WITH THEIR OWN MONEY, AND THAT
IT IS WRONG TO REGARD THE REPUBLIC AS A DONOR COUNTRY
ALONGSIDE THE INDUSTRIALIZED NATIONS. PRIME MINISTER LEE
KUAN YEW PUT IT THIS WAY IN HIS NATIONAL DAY RALLY
SPEECH LAST SATURDAY: "FIRST, NEITHER THE WORLD BANK
NOR THE ASIAN DEVELOPMENT BANK IS GOING TO GIVE US ANY
CONCESSIONS WHETHER WE ARE GOING TO DEVELOP AN MRT
(MASS RAPID TRANSIT SYSTEM) OR AN AIRPORT, WHAT-
EVER IT IS. WE WILL BORROW AT THE GOING RATE. NO CONCESSIONS.
RECENTLY, THE IMF WANT (SIC) TO PROMOTE US FROM A DONEE
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COUNTRY IN RECEIPT OF SPECIAL CONCESSIONS TO A DONOR
COUNTRY TO JOIN THE INDUSTRIAL COUNTRIES AND HELP THE
DEVELOPING COUNTRIES. SO WE SAID: 'LOOK, BE CAREFUL. WE
ARE NOT REALLY IN THAT CLASS.' THE PROBLEM HAS
NOT BEEN SOLVED. THE ISSUE HAS ARISEN IN A SIMPLE WAY. AS
A MEMBER OF THE IMF WE HAVE WHAT IS CALLED A TRANCHE--A
DEPOSIT WHICH WE PUT AND WHICH DEPENDS UPON THE ALLOCATIONS

TO US OF OUR QUOTA. PART OF THAT TRANCHE IS IN GOLD, AND NOW THEY ARE SELLING THE GOLD AT MARKET PRICES. WHEN WE BOUGHT IT AND PUT IT WITH THE IMF, IT WAS THEN \$35 PER TROY OUNCE. NOW IT IS SELLING AT \$145-146. SO THE DIFFERENCE THEY ARE GOING TO TAKE AND HELP THE DEVELOPING COUNTRIES. THEY SAY: 'THIS IS NOT A VERY BIG SUM, A FEW MILLION DOLLARS.' IT IS NOT THE SUM INVOLVED, IT'S THE PRINCIPLE INVOLVED. ONCE WE ARE PROMOTED TO THE DONOR CLASS, THAT'S BIG TROUBLE BECAUSE THIS IS HARD-EARNED MONEY. ONE SIMPLE ARGUMENT IS THIS IS PER CAPITA PER ANNUM ON BORROWED CAPITAL, BORROWED TECHNOLOGY, FOREIGN MARKETING AND EXPORT OF DIVIDENDS. THEY SAY: 'ALL RIGHT, WE WILL KNOCK OFF 20 PERCENT FOR THAT.' THAT LEAVES US WITH US\$2000 PER CAPITA. THAT'S NOT A VERY GREAT HELP. BUT WHEN WE CLEAR US\$3000 IN REAL VALUE, THEN THE REAL PROBLEM WILL START. UNQUOTE.
END UNCLASSIFIED.

2. BEGIN CONFIDENTIAL: REF A WAS DISPATCHED BEFORE LEE'S COMMENTS WERE MADE PUBLIC, AND HENG OF MAS CLAIMED TO BE UNAWARE OF PROBLEM EVEN AFTER NEWS STORY APPEARED. HENG CALLED EMBOFF AUG 22, HOWEVER, TO SAY GOS DOES PLAN TO RAISE ISSUE IN IMF MEETING AND POSSIBLY WITH USDEL. GOS POSITION IS THAT AGREEMENT BY EXECUTIVE COMMITTEE TO DISPOSE OF GOLD STOCK IS ILLEGAL UNDER ARTICLES OF AGREEMENT OF IMF
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BOTH IN SPIRIT AND LETTER; THAT THERE WAS NO BASIS FOR VOTE; AND THAT SO-CALLED LIST B, WHICH EXCLUDED SINGAPORE AS A COUNTRY ELIGIBLE FOR ASSISTANCE FROM PROFITS OF GOLD SALE, WAS AN "ARBITRARY COMPILATION." THE GOS CONSIDERS THE US THE PRIME MOVER IN THE EFFORT TO ADOPT LIST B RATHER THAN LIST A, WHICH INCLUDED SINGAPORE.

3. THE GOS HAS ONLY RECENTLY BEEN AWARE THAT IT IS GETTING TO THE POINT IN ITS DEVELOPMENT WHERE MORE IS EXPECTED OF IT. RECENT MOVES BY THE ADB TO CURTAIL CONCESSIONAL LOANS TO THE MORE ADVANCED MEMBERS, SUGGESTIONS THAT OPIC DISCONTINUE INSURANCE COVERAGE HERE AND NOW THE IMF MOVE ARE HARBINGERS OF A NEW ERA THAT SINGAPORE, SINGLE-MINDEDLY BENT ON ECONOMIC DEVELOPMENT, DID NOT FULLY CONSIDER AND IS NOT PREPARED FOR.
HOLDRIDGE

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Disposition History: n/a
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